

Message Text

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ACTION XMB-04

INFO OCT-01 EA-10 ISO-00 TRSE-00 COME-00 EB-08 CIAE-00
INR-10 NSAE-00 FAA-00 DOTE-00 PA-01 L-03 OMB-01
SP-02 /040 W
-----051259 270930Z /13
P 270820Z JUN 78
FM AMEMBASSY SINGAPORE
TO SECSTATE WASHDC PRIORITY 0587

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FOR EXIMBANK

E.O. 11652: N/A
TAGS: EAIR, EFIN, ETRD, SN, US
SUBJECT: EXIMBANK AND SINGAPORE AIRLINES' LATEST PURCHASE

1. (BEGIN UNCLASSIFIED) SINGAPORE "BUSINESS TIMES" OF
JUNE 24 FEATURED PROMINENTLY ARTICLE BY CORRESPONDENT
JOHN TAN, CURRENTLY ON EXTENDED STAY IN U.S.

2. EXCERPTS FROM PIECE FOLLOW:

"SIA IS YET TO MAKE A FORMAL APPLICATION TO THE US
EXPORT-IMPORT BANK TO FINANCE PART OF ITS MASSIVE AIR-
CRAFT ORDER WITH BOEING.

"IT WAS WIDELY ASSUMED THAT THE SINGAPORE CARRIER
WOULD MAKE THIS MOVE. IN FACT, SIA CHAIRMAN, MR. J.Y.M.
PILLAY TOLD THE PRESS THAT AN APPLICATION HAD BEEN MAKE
TO THE EXIM BANK AND HE HAD HOPED THAT PERHAPS UP TO
40 PERCENT OF THE US\$900 MILLION (\$2.07 BILLION) DEAL
WOULD COME FROM THIS SOURCE.

"YET, UP TO THE FIRST WEEK OF THIS MONTH NEITHER
SIA NOR BOEING HAD MADE A FORMAL APPLICATION, ACCORDING
TO AN EXIMBANK SOURCE IN WASHINGTON." (TAN THEN DIS-
CUSSES USG-GOS CIVAIR TALKS, SAYING US WAS PREPARED TO
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DRAG OUT TALKS INDEFINITELY TO KEEP SIA OUT OF US
MARKET).

3. "IF SIA DECIDES IT DOES NOT WANT AN EXIM BANK LOAN,
THE MAJOR REASON WILL BE THAT SUCH A LOAN COULD RESTRICT
THE AIRLINE'S FUTURE ACTIONS.

"EXIM BANK LOANS ARE NOT SIMPLE LOANS WHERE THE

OVERRIDING FACTOR IS THE BORROWER'S CREDIT RATING--THEY ARE MORE ACCURATELY A TOOL OF US FOREIGN POLICY, AS WITNESSED BY THE CONTROVERSY SURROUNDING THE BANK'S LOANS TO SOUTH AFRICA.

"LOANS GRANTED BY THE BANK ARE TIED CONDITIONALLY, IN THE CASE OF SIA, TO THE ROUTES TO BE FLOWN BY THE CARRIER'S NEW BOEING AIRCRAFT.

"SINCE MOST OF THE PLANES WILL BE DELIVERED IN 1980 AND LATER, AND MANY WILL BE USED ON US ROUTES, AN AGREEMENT WITH EXIM BANK NOW WHICH WOULD LIMIT SIA'S FUTURE STRATEGIC FLEXIBILITY WOULD ALSO DAMAGE SEVERELY ITS BARGAINING POSITION AT THE 1980 NEGOTIATIONS.

"SIA STILL HOPES THAT IN 1980, IT WILL BE ABLE TO SECURE BETTER LANDING RIGHTS THAN THE HONG KONG TO SAN FRANCISCO RUN AGREED ON SO FAR.

"THE AIRLINE HAS NOT LOST SIGHT OF ITS TARGET OF A TOKYO TO THE US WEST COAST FLIGHT (PERHAPS TO LOS ANGELES)--THIS WAS ONE OF THE DEMANDS IT HAD TO CONCEDE LAST YEAR.

"THE AIRLINE'S MANAGING DIRECTOR, MR. LIM CHIN BENG, IN FACT POINTED OUT THAT SINGAPORE WOULD ASK FOR THAT ROUTE AGAIN IN 1980, WHEN HE WAS IN NEW YORK RECENTLY TO SIGN THE SIA-BOEING DEAL.

"IT IS PRECISELY THIS ROUTE THAT AN EXIM BANK LOAN COULD PRECLUDE.

"THE BANK SOURCE SAID THAT EXIM BANK WOULD STUDY LIMITED OFFICIAL USE

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ANY SINGAPORE PROPOSAL TO DETERMINE IF THE NEW PLANES WOULD HAVE ANY COMPETITOR FOR THE INTENDED ROUTES.

"HE ADDED, WITH OBVIOUS ALLUSION TO SIA'S HOPES FOR A TOKYO-WEST COAST FLIGHT:

"'FOR INSTANCE ONLY THE 747 CAN FLY DIRECT FROM TOKYO TO SAN FRANCISCO AND WE WOULD NOT FINANCE THOSE PLANES.'

"THE SOURCE, WHO DECLINED TO BE NAMED, WAS FALLING BACK ON THE ARGUMENT THAT EXIM BANK IS INTENDED TO PROMOTE EXPORT SALES AND ITS FUNDING IS PARTICULARLY MEANT FOR US PRODUCTS FACING SERIOUS OVERSEAS COMPETITION.

"HIS CONTENTION, THAT THE 747 HAS NO REAL COMPETITOR FOR THE TOKYO-SAN FRANCISCO ROUTE IS, HOWEVER, DEBATABLE.

"THIS EXIM BANK ATTITUDE, WITH WHICH SIA MUST SURELY BE FAMILIAR, MAKES SIA'S CHANCES OF OBTAINING AN EXIM BANK LOAN RATHER SLIM.

"BESIDES, SUBMISSION OF A LOAN PROPOSAL BY SIA WOULD INVARIABLY INVOLVE AIRLINE EXECUTIVES IN A SERIES OF TIME-CONSUMING AND POTENTIALLY FRUITLESS DISCUSSIONS WITH THE BANK.

"AS THE EXIM BANK SOURCE PUT IT: 'THE SIA DEAL IS

VERY COMPLICATED. IT COULD TAKE SOME TIME TO SORT OUT.'

"MORE SPECIFICALLY, HE SET THE TIME FRAME FOR CONSIDERING THE LOAN AS PERHAPS SIX TO EIGHT WEEKS.

"BUT, HE SAID, AS FAR AS CREDIT STANDING WAS CONCERNED, BOTH SIA AND THE SINGAPORE GOVERNMENT WERE 'NO PROBLEM.'" (PIECE GOES ON TO SAY SIA MAY BE MOVING AWAY FROM EXIM FINANCING AND THAT ALTERNATIVE FINANCING AT ATTRACTIVE RATES IS AVAILABLE.)

4. "THE FACT THAT SIA DOES NOT SEEM TO BE PURSUING AN EXIM BANK LOAN ACTIVELY NOW, HOWEVER, DOES NOT MEAN IT HAS NO INTENTION OF BORROWING FROM THE BANK.

"PERHAPS THE AIRLINE IS MERELY TALKING TO COMMERCIAL BANKS NOW TO STRENGTHEN ITS HAND WHEN IT DOES EVENTUALLY LIMITED OFFICIAL USE

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APPROACH EXIM BANK.

"IF SO, MR. PILLAY WILL HAVE SHOWN THAT HE IS JUST AS ADEPT AS THE COMPETITION IN PLAYING THE DELICATE GAME OF INTERNATIONAL NEGOTIATIONS."

5. SIA ISSUED PRESS RELEASE DAY ARTICLE APPEARED, SAYING "PRIOR TO THE SIGNING OF THE PURCHASE AGREEMENT ON 10 MAY 1978, A VERBAL APPLICATION ON OUR BEHALF WAS MADE BY BOEING. SINCE THEN, BOTH SIA AND BOEING HAVE BEEN WORKING CLOSELY TO COMPILE DETAILS OF THE FORMAL LOAN APPLICATION. A WRITTEN APPLICATION WAS MADE BY BOEING ON SIA'S BEHALF TO EXIM BANK ON 14 JUNE 1978." (END UNCLASSIFIED)

6. (BEGIN LOU) ACTION REQUESTED: WHILE WE ARE NOT FAMILIAR WITH INTRICACIES OF EXIM POLICY ON FINANCING SALES WHERE FOREIGN COMPETITION MUST BE OVERCOME, WE ARE UNCOMFORTABLE WITH PRESUMPTION THAT EXIM FINANCING WOULD BE USED TO DENY SIA FURTHER LANDING RIGHTS IN US. AUTHOR MAY HAVE MISINTERPRETED EXIM SOURCE'S COMMENTS ON "COMPETITORS" TO MEAN COMPETING AIRLINES RATHER THAN COMPETING AIRCRAFT MANUFACTURERS.

7. IF, AS WE SUSPECT, THE PIECE HAS DISTORTED USG POSITION, WE WOULD LIKE TO REBUT IT PROMPTLY. SIA RANKS IMMEDIATELY BEHIND THE FLAG AND LEE KUAN YEW IN SINGAPORE PUBLIC INTEREST AND NATIONAL PRIDE; WE CONSIDER THE QUESTION SERIOUS ENOUGH TO RESPOND. WOULD APPRECIATE, WITHIN DAY OR TWO IF POSSIBLE, TALKING POINTS TO USE IN DISCUSSING ISSUE LOCALLY, POSSIBLY INCLUDING LETTER TO EDITOR.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, SALES, AIRLINES
Control Number: n/a
Copy: SINGLE
Draft Date: 27 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978SINGAP02855
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780265-1096
Format: TEL
From: SINGAPORE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780616/aaaaanhd.tel
Line Count: 165
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9079e57e-c288-dd11-92da-001cc4696bcc
Office: ACTION XMB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2192597
Secure: OPEN
Status: NATIVE
Subject: EXIMBANK AND SINGAPORE AIRLINES' LATEST PURCHASE
TAGS: EAIR, EFIN, ETRD, SN, US, XMB
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/9079e57e-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014